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UNCLAS ANKARA 006701

SIPDIS

SENSITIVE

USTR FOR LERRION
TREASURY FOR CPLANTIER
USDOC/ITA/MAC/RUSNAK
DEPT PASS EXIM FOR MARGARET KOSTIC

E.O. 12958: N/A

TAGS: [ECPS](#) [EFIN](#) [EINV](#) [BEXP](#) [TU](#)

SUBJECT: THEY SAID IT COULDN'T BE DONE - TURK TELEKOM
FINALLY PRIVATIZED

Refs: A. 04 ANKARA 6673

- [1](#)B. 05 ANKARA 446
- [1](#)C. 05 ANKARA 2159
- [1](#)D. 05 ANKARA 2812
- [1](#)E. 05 ANKARA 3845
- [1](#)F. 05 ANKARA 6537

[1](#)1. (U) Summary: In a major step forward for economic reform in Turkey, the \$6.55 billion sale of a 55% share of Telekom (TT) deal was finalized on November 14. In a ceremony attended by the Ministers of Transport and Finance, the Saudi-owned Oger Group and TT signed the final concession contract, thereby completing the sale. The completion of the privatization marks a watershed in the GOT's efforts to privatize key industries since Turk Telekom was long considered too "strategic" to be relinquished by the state, especially to foreigners. The final sale also bodes well for the two other large-scale tenders - Erdemir and Tupras - that are still in the process of being finalized. End summary.

[1](#)2. (U) Despite last-minute speculation that the Oger group would not accept changes to the concession contract requested by the Council of State (Danistay), the group announced on November 10 that the deal would go through as planned. In a November 14 ceremony that included speeches from Oger Telecom Vice President Mohammad Hariri, Privatization Authority President Metin Kilci, Transportation Minister Binali Yildirim, and Finance Minister Kemal Unakitan, TT and Oger Telecom signed the deal. In addition, the Oger group paid the first installment of \$1.3 billion, 20 percent of the total sales price. These funds will provide a significant boost to state revenues and to foreign direct investment in this year's balance of payments.

[1](#)3. (U) In the first order of business following the completion of the sale, Oger Telecom was scheduled to announce its six representatives to serve on the new 10-member administration board. Oger Telecom's Hariri emphasized that the group is willing to invest in TT's current employees and management. In his remarks during the ceremony, Finance Minister Unakitan stressed the important message this sale sent to investors worldwide, that Turkey is committed and able to privatize.

[1](#)4. (SBU) Comment: It is hard to overemphasize the importance of the GOT finally consummating the sale of TT. The sale symbolizes the GOT overcoming Turkey's legacy of dirigisme and economic nationalism. For years, many observers were skeptical the GOT would ever relinquish control of this "crown jewel," and this year the GOT had to fight a wave of anti-privatization sentiment to do so. The TT signing is also a positive indicator for the upcoming Erdemir and Tupras privatization transactions. The major investment by a Middle Eastern group in Turkey also shows the increasing integration of Turkey into the global and regional economy at the same time as it seeks to join the EU.
McEldowney